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AUTHOR Calais, Mary Jane
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ABSTRACT

The increasing use of management techniques may be viewed as a beneficial result of the financial problems currently being experienced by many community colleges. The college budget should be goal-oriented and the basis for a good management system. When properly used as a planning technique, the budget can become a vehicle for considering and sorting out alternative paths of action. The effectiveness of a budgeting sytem, however, is directly related to the attitudes of all persons involved; attitudes must be positive if positive results are to be obtained. Active participation at all levels also enhances effective control which will assist in the attainment of shared goals. One widely used budgeting plan, the Planning Programming Budgeting System (PPBS), is discussed in terms of its advantages and disadvantages as a planning tool. The author concludes by citing the experience of her school district in implementing PPBS and other planning efforts to more efficiently and effectively make use of limited resources. (Author/AL)

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PANEL SESSION: LEARNING TO LIVE ON LESS: THE COMMUNITY COLLEGE

POSSIBLE POSITIVE RESULTS OF THE CURRENT FISCAL CRISIS IN HIGHER EDUCATION

UNIVERSITY OF CALIF.
LOS ANGELES

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CLEARINGHOUSE FOR
JUNIOR COLLEGE
INFORMATION

Mary Jane Calais
Vice President for Financial Affairs
The Junior College District,
St. Louis, St. Louis County, Missouri

Learning to live on less is not easy; in fact, it is a painful experience. Many and varied approaches are being offered, discussed and planned to cope with the situation. Many colleges and universities are putting into action plans to solve the problem in unique ways for their particular institution.

In general, every effort is made to reduce costs without seriously damaging the quality of the educational program or the morale of the various constituencies that make up the institution. All sources of income are reviewed and studied by financial administrators in order to maximize revenues. In some cases, however, the facts of life have necessitated drastic action.

The Management Division of the Academy for Educational Development published this fall a pamphlet entitled "319 Ways Colleges and Universities are Meeting the Financial Pinch." These ways range from charging for college catalogs to abolishing departments or academic programs. Institutions have applied research and innovative endeavors to trying to find solutions to the problems facing them. Nothing is too small -- or too big to be considered.

The current climate has given impetus to the programs and activities under the sponsorship of the National Center for Higher Education Management Systems at Western Interstate Commission on Higher Education (NCHEMS at WICHE). They are currently conducting research and studies to aid in the planning and management of all facets of higher education. These include a broad scope of activities such as "Data Element Dictionaries,"

"Faculty Activity Analysis," "Cost Finding Principles," "Student Flow Model," "Resource Requirements Production Model," "Information Exchange Procedures," and "Input-Output Indicators."

In addition they are providing training and implementation programs to introduce the results and products of their research and study to various staff members of institutions of higher education and state-wide organizations. Currently they are also developing computer software to assist in the implementation of some of the programs they have developed. The success of their initial effort in this field is attested to by the establishment of this program as a national center with funding from the federal government.

To a large degree their acceptance has been achieved by the cooperation of institutions and the high degree of involvement of representatives of institutions and state coordinating bodies on task forces and advisory councils. It is my belief that the willingness of these people to serve in various capacities, and of institutions to support their cooperation by granting time as well as funds, is indicative of the current fiscal crisis and the recognition of the credibility gap between institutions and those who provide funds for their support.

If these endeavors result in better planning and management of higher education, and a concurrent improvement of the total educational effort to serve students and society - then we can say the current crisis may have some positive results.

Learning to live on less has aroused considerable interest and has

placed a great deal of emphasis within institutions on their budget and management systems. This particular time should be considered as an opportunity by business officers and financial administrators to "educate" all constituencies of their institution on the importance of good management and the important contribution the budget system makes in accomplishing the goals of the institution. The budget is a planning tool and represents the best plan available at one particular time of achieving the goals and objectives of the institution.

Without a plan you not only lack direction, you also have no way to determine where you are in realizing goals and objectives or if it will be possible to reach them. Without a "measuring stick" you also cannot determine if you need to change direction and revise some part of the plan due to a change in circumstances, either under your control or outside of your control.

The budget may not always bring into focus a potential problem or need for change, but if it is developed to model the institution and its various programs and is fiscally sound to start with, there is every probability that it will keep the institution from going off the deep end.

The budget should not be thought of as "just a piece of paper" and as a "necessary evil" as it is by some! It should be a goal oriented document that is the heart of a good planning and management system.
Each department head, business officer and college administrator should think of it as a valuable tool in helping them discharge their individual responsibilities and achieve their individual goals as well as those of the institution as a whole. When it is properly used as a planning technique,

both in short and long range planning, it can become a vehicle for considering and sorting out alternative paths of action.

Too often the budget is thought of or viewed solely from the budgetary control position. The "name of the game" then becomes how to take advantage of it to the benefit only of an individual, a department or any special interest group. It becomes a matter of how to outwit, hide or get by with something. In the long run this doesn't do anyone any good because at some time and place all the pieces have to fit together for the benefit of the total institution, the students, and the society it serves. Why not honestly plan, budget and function with the totality in mind? It would save a lot of wasted time and effort and result in a cost saving which is something we are all interested in at this time of limited resources. This might also remove some of the doubts and questions raised from within, as well as from outside the institution on the credibility of institutions of higher education and their ability to manage themselves effectively and efficiently.

The subject of resource allocation is a popular topic of discussion, debate and comment in today's climate of limited funds. Institutions can not think only in terms of raising more money to solve increasing operating and capital expenditure costs; they must look also to improved methods and techniques to make the most of resources available to them. They must review programs and activities in terms of cost effectiveness. Can we afford to continue this program or activity? What alternatives do we have to achieve the same end result? Is it really performing the

task it was originally planned or intended to accomplish? Will the new program or activity overlap any on-going current endeavor and what effect will it have on related and other functioning departments? Will it be a "full add on" direct cost or will it be an incremental or marginal cost factor to already existing cost centers? Will it help absorb some fixed operating costs and pay its way for all other additional costs? **Did planned cost-benefit relationships hold true during actual operational periods?**

For many years now these types of questions and considerations have been raised by managers in business and industry where the profit motive provided the incentive and motivation to control costs. The old adage of "maximize profits and minimize costs" provided a principle for business management. Of course, the direct straight line application of management methods developed by business and industry cannot be just transferred "as is" into the educational model, but there is no reason why we can't learn from them and borrow what does apply and has proven successful and discard the rest.

Without a workable, responsive, well-thought-out management and budget system directly related to the financial/accounting system, we cannot make the most of and benefit from the management techniques available. This does not mean that the budgeting and financial/accounting systems are one and the same thing. They are not. In fact, they are often described as separate sub-systems of a management information system. The budget system may be carried out separately from the financial/accounting system; however, the accounting and budgeting systems must be compatible to permit effective budgetary administration.

A financial/accounting system is required as a part of the fiscal stewardship responsibilities to maintain financial records on a basis consistent with accepted accounting principles, while the budget system provides a planning, control, and evaluation mechanism to guide the utilization of resources. By re-examining these systems to see if they are providing adequate information to assist in the critical decision-making required today, it may be possible to achieve a better understanding of their purpose as well as making them more responsive.

There are also behavioral implications within a budget system. There must be an atmosphere or climate conducive to the achievement of the desired results. Attitudes at all levels represent a wide range of values and interests. They relate to individual roles in the planning process, controls maintained, evaluation of results and confidence in those responsible for the system. The attitudes must be positive if positive results are to be obtained. The problems of learning to live on less must be recognized and shared, as well as the responsibility for solving them.

The pervasive thought today is that widespread and meaningful participation throughout the institution is essential. By taking the participating democracy approach - or as it is called by some - participative management - it is generally thought that a common understanding of purpose will be reached and that communication of goals and objectives will be facilitated. Participation in planning is thought to result in better planning as well as the acceptance of the plans by all representative interests. Active participation at all levels is also believed to enhance effective control which will assist in the attainment of shared goals.

The "participating democracy" mode of administrative management is not as easy to achieve and make workable as some profess. It imposes a significant time demand on many staff members. For individual administrators, managers and department heads it requires broad perspective, understanding, willingness to compromise and some sophistication in leading others through the process of effective participation. It is sometimes difficult to delegate participatory authority and for some it results in a feeling that they are giving up authority and status. However, results have been documented showing that if individuals have almost complete control, or quite a lot of control, in setting budgets and spending budgeted funds, they will be very concerned with costs and outcomes.

One of the concepts used in recent years to aid in the management of higher education is the Planning Programming Budgeting System. This concept has recently received increased interest due to the real financial crisis present. In some states the adoption of PPBS has been legislated for institutions of higher education.

But just what is PPBS? Many institutions have studied, examined and considered it. Some say they have implemented it. Many articles, papers and booklets have been written about it. There is no doubt that the broad concept has had a considerable impact on management systems. However, many of the basic concepts have been around for some time. Sometimes it seemed they were just applying new titles or new coined phrases to old ideas already in use.

It is said by some that a few practice PPBS without knowing it, while others go through all the formal motions without coming anywhere near it.

Probably the differences between the various systems are due to some extent to the difference in institutional organizational structures and the environments in which they exist.

One description of PPBS is that it is an attempt to apply many of the valuable concepts and techniques of decision-making used by the profitmaking organization to the decisions of a non-profitmaking institution and it is a framework, or an approach to decision-making, rather than a well-defined system.

Another definition or explanation of PPBS is that it is designed for long range planning and budgeting and establishes institutional programs as the central factor in budgeting, rather than the organization unit, as in the traditional budget system. It does attempt to establish and clarify the relationships between the goals or objectives, the resultant programs and activities derived from the goals, the economic impact of the proposed programs, and expression of costs in financial terms in a long-range budget. It also contributes to the decision-making process by providing analyses of alternative program decisions in terms of anticipated costs and expected benefits. This should be followed by an evaluation of the performance of the programs for purposes of control and subsequent planning.

The question of implementing PPBS can be answered only in the context of a specific organization. As a system for planning and control, PPBS may be expensive and difficult to implement. It thus becomes wise to be cautious in implementing such a system without full knowledge of both its advantages and disadvantages.

Program budgeting cuts across conventional departmental lines and measures the performance of a program in terms of output. Outputs can then be looked at in terms of cost effectiveness and The program budget cost/benefit relationships. approaches this by considering effectiveness as a measure of the extent to which a program accomplishes its objectives and is related to benefits, which may be thought of as the value to be derived from a defined program.

The technique associated with PPBS may significantly improve the art of management and provide insights into the higher education process. For this reason alone institutions would be negligent if they did not invest in the time to learn about PPBS and its technology.

Although PPBS is not without its critics and problems, there is a general feeling that it will be applied in an increasing number of areas. From these applications should come greater acceptance and increased efficiency in planning and operation, with the desired result of a more effective use of the resources of higher education.

The future will bring a fair evaluation of PPBS. In the meantime, the philosophy can be used as a tool to improve the efficiency and management of institutional programs while continuing to use the present accounting system to collect expenditure data.

In our community college district, which is made up of three colleges, we attempted this past year to make every effort to "make the most" of the resources available to us and to seek new funds from the avenues open to us. Twice we tried to increase the local property tax levy and failed. We tried in the last session of the State Legislature to increase the dollar maximum in the state aid formula and failed. Proposed program plans and expenditure budgets were carefully and stringently reviewed.

In our district this required a painful process of introspection and considerable involvement of all representative bodies. From one point of view, our institution is still new and has been through a very successful ten year period of rapid growth and development. It was because of our "success label" that the recognition of the need to learn to live on less required an educational program within our institution.

This program had advantages because many faculty, administrators, supporting staff members and students began to recognize that the planning and management process was not just a lot of red tape to keep them from "doing their thing," but that possibly just the opposite was true.

The sharing of the problem forced the establishment of priorities. Support was allocated to programs to maintain balance and to meet the goals and objectives of the total institution. This required some give and take within each college, between colleges and on a district wide level. As a result we all learned more about each other and hopefully gained a greater understanding and cooperative spirit for the "totality" and gave up some "vested interests" that would impede the overall success of our endeavors.

Of course, we are again seeking increased funds and currently have a bill pending before the legislature, now in session, but we recognize that the state wide fiscal crisis will also limit their available resources. In the meantime we believe we must prove that we are efficiently and effectively using those resources now available to us if we are to convince the legislators, local taxpayers and others to continue to give and increase their support of higher education.

It has also become apparent that if we cannot close this credibility gap we will not only lack adequate funding from our point of view, but will have restraints placed on the freedom to individually manage public institutions and will have punitive legislation passed to force compliance.

As a part of the experience in developing this year's budget, and the various exchanges of thoughts and ideas, we began to develop some new plans and procedures for 1972-73.

Our planning this year included simulated budget models based on primary and support programs as defined by our institution. The planning attempts to recognize differences between the three colleges and the need for different resource allocation programs. Recognition was given to the different mix of educational programs, size of physical plant, growth and enrollment patterns, student characteristics, faculty rank and load, and class size. In addition we attempted to identify areas of fixed cost, semi-variable costs and variable costs within the various programs.

At this stage we know we have a long way to go to fully achieve our overall goal of improving district wide resource allocation and planning. Changes and modifications must be made. On the positive side we feel the approach is right and that the concept has been accepted. The end result, we hope, will enable us to reach the defined goals and objectives of our institution and support our contention that we are a well managed institution doing an effective and efficient job in serving the students, local community and society as a whole.